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From: DeShazo, Gary [mailto:GDeShazo@caiso.com]

Sent: Friday, April 11, 2008 12:27 PM

To: Mason, Tim

Cc: Smutny-Jones, Robin; DeShazo, Gary; Rosenblum, Grant

Subject: RETI Study

Tim, based on our telephone conversation late last week, the following comments represent our discussion and comments from the California ISO.

- We must make sure that we are realistic about our import assumptions. While the CAISO agrees with the proposal to appropriate model renewables outside of California, it would be inappropriate to assume all of that generation can be imported into California. For example, there is currently limited available transfer capacity on the CAISO bulk power system to import renewable energy from resources located outside of California. Without the benefit of new transmission to import resources from outside California, it must be limited to what the system can reasonably import.
- Given the lead time required to plan and construct new transmission, it is unlikely that significant new transfer capability would be developed in the study period if the transmission resources are not currently under active development.
- There are several regional transmission projects being proposed for delivering energy from the Pacific Northwest and British Columbia. It is reasonable to assume approximately 2500 MW of incremental capacity will be available for new renewable generation from these transmission facilities within the next 10 years.
- There are several regional transmission projects proposed for delivering energy from the Southwestern U.S.(Arizona/Nevada). A reasonable planning assumption for incremental transfer capacity from the Southwestern U.S. to California by 2020 is 2500 MW; which includes PVD2 and possibly Frontier.
- The CAISO believes that all projects approved by the CAISO should be modeled. We acknowledge the issues raised at the last steering committee meeting about modeling, however, our position is that we need to establish a modeling standard that is based on a demonstrated need. If we don't put our "stake in the ground" to work from, we will get lost in studying "scenarios". This is not meant to imply that we do not study scenarios, rather that it does not make sense for us to try and second guess the regulatory process.

Thanks Tim, I hope these comments are helpful. The CAISO looks forward to working with you.

Gary DeShazo  
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California ISO